

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Fellowship Health Resources, Inc.

AGENCY FUNDS

For the Fiscal Years Ended June 30, 1998 and 1997

EXECUTIVE SUMMARY

We had no significant findings to report for the fiscal years ended June 30, 1998 and 1997 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

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February 15, 2000

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall – 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Fellowship Health Resources, Inc., for the fiscal years ended June 30, 1998 and 1997.

The results of our engagement included herein have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations no written response is necessary which would have otherwise been required by Section 35-7-4 of the General Laws had there been findings and recommendations.

We wish to express our appreciation to the officials of MHRH and to the Director and staff members of Fellowship Health Resources Inc., for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- compliance with contract terms,
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

BACKGROUND

Fellowship Health Resources, Inc., located at 25 Blackstone Valley Place – Suite 300, Lincoln, Rhode Island, is a nonprofit corporation established under the State's General Laws. The provider, incorporated in 1977, is governed by a board of directors consisting of no less than 12 nor more than 24 members elected annually.

Residential Programs

The provider operates seven residential facilities which provide supervision, independent living skills training, case management services, and transportation to the clients enrolled in the program. The location, date established, and licensed capacity of the facilities are as follows:

<u>Facility</u>	<u>Established</u>	<u>Licensed Capacity</u>
Westwick House 46 West Warwick Avenue West Warwick, RI	1974	10
Fellowship House 1257 Cranston Street Cranston, RI	1981	9
Ocean State Outreach Program 422 Post Road (Office) Warwick, RI	1987	8
27 Dora Street	1987	4
2 Harkness Street	1990	4
68 Harrison Street Providence, RI	1990	2
Hope Street Apartments Program 148 Waterman Avenue (Office) Providence, RI	1994	10



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March 10, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall -2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Fellowship Health Services, Inc., (Provider) solely to assist the users in evaluating management's assertion about the Provider's compliance to the financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1998 and 1997, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining allowable costs, accuracy of reported activities, and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with conditions contained within the MHRH's Community Support and Residential contracts for the fiscal years ended June 30, 1998 and 1997.

Ms. A. Kathryn Power, Director

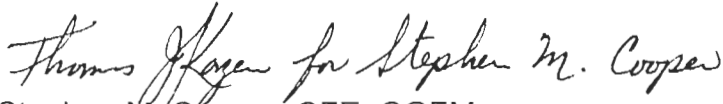
Page 2

March 10, 1999

We were not engaged to and did not, perform an examination, the objective of which would be the expression of an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Thomas J. Hogan for Stephen M. Cooper".

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1998

	Community Support, Residential, and <u>Acute Alternatives</u>	Title XIX <u>Medicaid</u>	<u>Total</u>
<u>Revenues</u>			
MHRH	\$ 1	-	1
Medicaid Title XIX	-	1,880,568	1,880,568
Rent Subsidy	40,486	-	40,486
Client Fees	151,182	-	151,182
Investment Income	409	-	409
Miscellaneous	3,450	-	3,450
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 195,528	1,880,568	2,076,096
	<hr/>	<hr/>	<hr/>
<u>Expenses</u>			
Personnel	1,165,356	-	1,165,356
Operating	670,671	-	670,671
Purchased Equipment	61,188	-	61,188
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 1,897,215	-	1,897,215
	<hr/>	<hr/>	<hr/>
Other Financing Sources (uses)			
Interfund Transfer - Title XIX-Medicaid	1,880,568	(1,880,568)	-
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenses	\$ 178,881	-	178,881
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 FELLOWSHIP HEALTH RESOURCES, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1997

	Community Support, Residential, and <u>Acute Alternatives</u>	Title XIX <u>Medicaid</u>	<u>Total</u>
<u>Revenues</u>			
MHRH	\$ 33,938	-	33,938
Title XIX Medicaid	-	1,853,527	1,853,527
Rent Subsidy	46,265	-	46,265
Client Fees	155,963	-	155,963
Investment Income	371	-	371
Miscellaneous	5,624	-	5,624
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 242,161	1,853,527	2,095,688
	<hr/>	<hr/>	<hr/>
<u>Expenses</u>			
Personnel	1,038,136	-	1,038,136
Operating	829,230	-	829,230
Purchased Equipment	143,326	-	143,326
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 2,010,692	-	2,010,692
	<hr/>	<hr/>	<hr/>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfer-Title XIX Medicaid	1,853,527	(1,853,527)	-
State Funding Adjustment	60,705	-	60,705
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources-Uses	1,914,232	-	60,705
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenses	\$ 145,701	-	145,701
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 FELLOWSHIP HEALTH RESOURCES, INC.
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

	<u>Fiscal Year Ended June 30</u>	
	<u>1998</u>	<u>1997</u>
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>1,880,568</u>	<u>1,853,527</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	<u>1,880,568</u>	<u>1,853,527</u>
 <u>Ending Balance</u>	 \$ <u>-</u>	 <u>-</u>

See accompanying notes to financial information.

:SP-48c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

NOTES TO FINANCIAL INFORMATION

Note 1 – Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Integrated Mental Health Service's Rules, Regulations and Standards for Funding Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

STATUS OF PRIOR AUDIT RECOMMENDATIONS – JUNE 30, 1996

There were no prior audit findings.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
FELLOWSHIP HEALTH RESOURCES, INC.
FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Provider's programs for the fiscal years ended June 30, 1998 and 1997 (Exhibits A and B) are summarized as follows:

<u>Program</u>	<u>Total</u>	<u>1998</u>	<u>1997</u>
Community Support, Residential And Acute Alternatives	<u>\$ 324,582</u>	<u>178,881</u>	<u>145,701</u>

Community Support, Residential, and Acute Alternatives

The following contract provision appears in addendum II of the performance contract:

11.A "If the performance standards have been met to the satisfaction of the Department and, upon review of the audit, an amount equal to that provided by the state has been spent, any non-state fund balance or surplus will be retained as restrictive reserve and available for reprogramming as income available for community support services..."

It was determined that the excess revenues were attributable to non-state sources. Nothing came to our attention to indicate that program standards had not been met to the satisfaction of the Department.

The excess revenues, as stated above, in the Community Support, and Residential contracts with the Provider is restricted for reprogramming by MHRH in subsequent years.